



Sean Rogan
Executive Director

COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles

2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • TTY: 323.838.7449 • www.lacdc.org



Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

ADOPTED

Community Development Commission

February 15, 2011

#1-D FEBRUARY 15, 2011

The Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**AUTHORIZE ACCEPTANCE OF NEW FEDERAL FUNDS FOR ACQUISITION AND
REDEVELOPMENT OF FORECLOSED PROPERTIES
(ALL DISTRICTS) (3 VOTE)**

SUBJECT

This letter requests authorization for the Commission to receive and administer U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP) funds in accordance with the Community Development Block Grant (CDBG) Program requirements, on behalf of the County of Los Angeles. The funds were authorized under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010, and will provide additional targeted emergency assistance to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. This letter relates to an item on the agenda of the Board of Supervisors to amend the Fiscal Year 2010-2011 Action Plan (Action Plan) for the Los Angeles Urban County in order to receive and administer the funds.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that this request for authorization to receive HUD funds is not subject to the California Environmental Quality Act (CEQA) because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.
2. Authorize the Executive Director or his designee to accept \$9,532,569 in NSP funds and to execute agreements for implementation of the NSP funds, as described in the amended Action Plan, to be effective upon approval as to form by County Counsel and execution by all parties.
3. Authorize the Executive Director or his designee to accept any additional funds received from

HUD NSP.

4. Authorize the Executive Director or his designee to execute agreements and all related documents necessary to complete the acquisition and rehabilitation financing for the NSP Infill Sites Rental Program, to be effective following approval as to form by County Counsel and execution by all parties.
5. Authorize the Executive Director or his designee to identify, reprogram, and retarget NSP funds for the purpose of fully expending funds by the program deadline, following approval as to form by County Counsel.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On May 25, 2010, your Board approved the 2010-2011 One-Year Action Plan for the Thirty-Sixth Program Year (July 1, 2010 through June 30, 2011) to receive CDBG funds from HUD. The Action Plan contains the County's One-Year Action Plan to carry out housing and community development activities funded by the CDBG Program. The proposed additional NSP funds in the amount of \$9,532,569 are consistent with the purposes set forth in the Action Plan.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund. This program is being funded by HUD with a total amount of \$9,532,569 in NSP funds. These funds will be included for approval through the Commission's annual budget process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On July 30, 2008, the U.S. Congress enacted Housing and Economic Recovery Act of 2008, which created the first round of NSP formula funding, hereafter referred to as NSP1. NSP1 funds are authorized under Title III of the Act to provide targeted emergency assistance to every State and certain local grantees to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of home values.

An Action Plan Amendment approved by this Board on November 25, 2008, permitted the County to receive and administer an allocation of \$16,847,672 in NSP1 funds, of which \$14.6 million has been expended to date. The Commission is currently administering NSP1 funds to help low- to moderate-income, first time homebuyers purchase abandoned and foreclosed properties through the County's Housing Economic Recovery Ownership (HERO) Program. It also provides assistance for the acquisition and rehabilitation of foreclosed homes for rental to low-income persons or households through the Infill Sites Rental Program.

In 2009, Congress approved a second round of NSP funds (NSP2) under the American Recovery and Reinvestment Act of 2009 to be awarded through a competitive-basis. The County applied for NSP2 funds, but was not awarded any funds.

On July 21, 2010, Congress approved an additional allocation of NSP formula funding. Under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), additional assistance was made available to States and units of local government for the redevelopment of abandoned and foreclosed homes. The Dodd-Frank Act represents a third round

of NSP funds, hereafter referred to as NSP3.

The Dodd-Frank Act makes available an additional \$1 billion in NSP3 funds. The County will receive an estimated \$9,532,569 in NSP3 funding. As part of the application for NSP3 funding, the County is required to submit a substantial amendment to the County's 2010-2011 Action Plan by March 1, 2011. The Action Plan amendment to HUD will describe the intended use of these funds with the understanding that all funds must be expended within the statutory deadline of three years from receipt.

The Commission will once again serve as the agent of the County for administration of the allocated NSP3 funds, when implementing the NSP3 Infill Sites Rental Program. The Program will include financial assistance to developers to purchase 1-4 unit, vacant and abandoned foreclosed homes to rent to households at or below 50% of area median income.

The Program will provide assistance to developers through First Deed of Trust loans at zero percent interest. Properties purchased under the NSP3 Infill Sites Rental Program must also adhere to HUD's NSP3 Program guidelines requiring the purchase price to be at least 1% below the current market appraised value pursuant to an appraisal dated within 60 days of the offer to purchase. Eligible properties must also be located in the approved target area(s). Currently, the target area is the City of Hawaiian Gardens, but the area may be subject to change or expansion if other eligible areas are identified within the unincorporated County or participating cities.

Marketing efforts for the NSP3 Infill Sites Rental Program will include outreach to tenants through local newspapers, flyers, and posting of information on the Commission and County's Housing Resource Center website at <http://housing.lacounty.gov>.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3), because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. This action is not subject to the provisions of CEQA Guidelines 15060(c)(3) and 15378, because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

The scope of projects to be funded under the NSP3 Infill Sites Rental Program will be limited to activities which are normally categorically excluded from NEPA regulations at 24 Code of Federal Regulations Part 58, and categorically exempt from CEQA Guidelines; however, an Environmental Service Request (ESR) or Basic Property Identification Form will be submitted to the Commission's Environmental Services Unit for each property to be acquired, disposed of, improved, demolished, cleared or rehabilitated. Each site will receive an environmental clearance prior to the commitment of project funds, in accordance with CEQA Guidelines and NEPA regulations.

Should any site require a Negative Declaration, Mitigated Negative Declaration, or Environmental Impact Report, the Board will review the environmental documentation and determine whether or not to adopt findings for each project.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Honorable Board of Supervisors
2/15/2011
Page 4

The NSP3 funded projects incorporated into the amended Action Plan will benefit low- income residents of the unincorporated County and participating cities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN
Executive Director

SR:ra